

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JAMES M. KIEFER TO INTERROGATORY OF
THE ASSOCIATION FOR POSTAL COMMERCE
(POSTCOM/USPS-T33-7)

The United States Postal Service hereby files the response of witness James M. Kiefer to the following interrogatory of the Association for Postal Commerce: POSTCOM/USPS-T33-7, filed on October 22, 2001. Please note that the question contains no subpart (c).

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 1, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER
TO INTEROGATORIES OF ASSOCIATION OF POSTAL COMMERCE**

POSTCOM/USPS-T33-7. Please refer to USPS-LR-J-106, BPMWP.xls.

(a) Please confirm that following the process described in (i)-(iii) below produces BPM rates that generate the same total revenue and pound rates that you are proposing and pass through X% of the dropship nontransportation cost avoidances shown in worksheet inputs, Cells D73-D75. If not confirmed, please describe an approach that will produce BPM rates that meet these criteria.

(i) Set Cells I39-I55 on worksheet Rate Adjustments equal to 0.

(ii) Set Cell F53 on worksheet Pound and Piece Charges equal to "+Revenue Leakages'I134-'Rate Adjustments'!N57"

(iii) Set Cells G25-G30 on worksheet Revenue Leakages equal to X%.

(b) Please confirm that following the approach described in subpart (a) produces the piece rates for Basic Presort BPM that are shown in Table 1 below.

Table 1. BPM Basic Presort Rates Based Upon Selected Passthroughs

Entry	Passthroughs						
	70%	75%	80%	85%	90%	95%	100%
Origin	\$1.185	\$1.201	\$1.218	\$1.235	\$1.251	\$1.268	\$1.284
DBMC	\$0.862	\$0.856	\$0.849	\$0.843	\$0.836	\$0.830	\$0.823
DSCF	\$0.670	\$0.650	\$0.630	\$0.610	\$0.590	\$0.570	\$0.549
DDU	\$0.590	\$0.565	\$0.539	\$0.513	\$0.487	\$0.461	\$0.435

(d) Please confirm that by following the method discussed in subpart (a) above and varying Cells M39-M55 on worksheet Rate Adjustments, one can produce rates that generate the same total BPM revenue as your proposed rates, pass through the desired percentage of the dropship nontransportation cost avoidances, and adjust BPM pound rates as desired. If not confirmed, please explain fully.

RESPONSE:

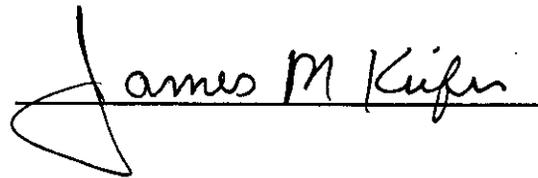
a. Not confirmed, if cells I39 to I55 are set to zero. If cells H39 to H55 (the cells used to enter rate component adjustments) are set to zero, the proposition can be generally confirmed, although the total revenue produced by this process differs from the total revenue reported in my testimony to a small degree.

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- b. Confirmed if cells H39 to H55 are set to zero, rather than I39 to I55.
- d. Not confirmed. As a purely mathematical exercise, cells M39 to M55 can be adjusted while total revenue is constrained to remain roughly the same as the revenue shown in my testimony. It cannot be confirmed, however, that the resulting pound rate elements would be the ones "desired," if the piece rate elements were generated using the procedure outlined in subsections (a) and (d). The Postal Service develops piece and pound rate elements for Bound Printed Matter in an integrated fashion that takes into account (in addition to other important factors) how the piece and pound rate elements interact to produce the final rates, as well as the final rates produced.

DECLARATION

I, James M. Kiefer, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink that reads "James M. Kiefer". The signature is written in a cursive style and is positioned above a solid horizontal line.

Dated: 11/1/01

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Scott L. Reiter

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